

Proposed Amendments to the Michigan Credit Union Act

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Background

Helping Credit Unions
Serve, Grow and Remain Strong.

What is a credit union? MCL 490.102(I)

“Domestic credit union” means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on democratic basis in order to improve their economic and social condition.



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6,398 nationwide (Year End 2014)
100 million members

274 Michigan Credit Unions \$49 billion

4.725 million members

Median \$58mm

Average \$178mm

State 174

Federal 100

MCUL = 99%

2014 Michigan Credit Union Financial Benefits

Higher yields on savings	\$44.7 million
Lower fees	\$45.4 million
Lower loan rates	\$196.8 million

Total 2014 Benefits \$287 million



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Branching Out

Credit Union Branches, ATMs
Widely Dispersed Across the State

Of course, Michigan credit unions have branches in the state's biggest business centers and neighborhoods. They also serve low- and moderate-income areas such as in Detroit, Flint and Battle Creek, and also in rural areas such as Chatham in the Upper Peninsula and Glennie in the Lower Peninsula.

Total of 970 Credit Union Branches

- 54% Branches are in areas designated by the U.S. government as low-income
- 23% Registered as Community Development Financial Institutions
- 13% Family Service Centers in the state operated by EO-OP Financial Services
- 73% Branches-free ATMs at 7-11 stores are part of the CD-OP Network
- 3,800+ Total of low-cost ATMs

Benefits to Members

In 2014, the Credit Union National Association estimates that Michigan credit unions provided:

4,726,000
MEMBERS receive services

\$230.3
MILLION IN DIRECT financial
benefits to members

\$51 PER MEMBER/
\$37 per member household

Key

Low-to-Moderate Income Census Tracts Credit Union Branches Other ATM Locations



Bay City Saginaw Midland Metro



Grand Rapids Muskegon Holland Metro



Flint Metro



Lansing Metro



Detroit Metro



Kalamazoo Battle Creek Metro



Background

Helping Credit Unions
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! SAVE TO WIN FAST FACTS



33 CREDIT UNIONS
offer community development
loans



\$94 MILLION
saved nationwide since 2009



50,000+
Save to Win accounts



333
CREDIT UNION PROFESSIONALS HAVE
RECEIVED financial counseling training
toward certification as a CUNA Certified Credit
Union Financial Counselor (CCUFC) through
funding from the Michigan Credit Union
Foundation and Michigan Credit Union League



24,099
ADULTS
PARTICIPATING
in financial education
programs



\$2,500
Average size of a Save to Win
account after first year



49
CREDIT UNIONS
WITH one or more
student credit union
locations



308
IN-SCHOOL credit
union locations



66,272
STUDENT MEMBERS



57 CREDIT UNIONS
participated in 2014



Backdrop

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After the Financial Turmoil...



Consumer Financial
Protection Bureau

Equal Credit – Reg. B

Fair Debt Collection – Reg. F

Privacy – Reg. P

Fair Credit Reporting – Reg. V

Truth in Lending Z

SAFE Act – Reg. G

HMDA – Reg. C

And many more...

NCUA

DIFS

FinCEN

OFAC

FRB

FTC

DOJ

DOL

2016 – THE major issue is regulatory burden



Backdrop

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Long History Of Leadership

NASCUS Pierre Jay Award Winners from Michigan

For lifetime of outstanding service & leadership.

1997 Mike Fitzgerald

2000 Gary Mielock

2011 Roger Little

John Kolhoff

2011 Chairman, NASCUS

2015 Board member

DIFS Department of
Insurance and
Financial Services



Proposed Amendments

Helping Credit Unions
Serve, Grow and Remain Strong.

1. **Regulatory Relief**
2. **Member Services**
3. **Empowering Boards of Directors**
4. **Exam Improvements**
5. **CU Regulatory Fund**
6. **Miscellaneous**



Regulatory Relief

Helping Credit Unions
Serve, Grow and Remain Strong.

Lift arbitrary cap on FIXED ASSETS for CU's with strong capital

- (1) 3 year pro forma showing profitable condition;
- (2) well capitalized;
- (3) no C&D, conservatorship or receivership last 3 years; and
- (4) Director rated them "sound" or "fundamentally sound" at last exam (CAMELS 1 or 2)

All other CU's have current 5% limit unless they get Director approval for more.

IT Vendor Contracts

Regulatory Reform

Streamlines excessively detailed contract requirements for IT vendors while ensuring that vendors with access to confidential information are subject to examination by the Director.



Member Services

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Trust Services

Permit a credit union to invest in a Michigan-based CUSO offering Trust Services

Scholarships

Grants explicit statutory authority to provide educational scholarships.

Financial Counseling

Grants statutory authority to provide financial counseling services to any person in underserved areas.



Empowering Boards of Directors

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Authority – Delegation by Board to Management

Regulatory Reform

Gives credit union boards the ability to delegate routine matters to senior management.

Minimum Number of Board Meetings

Regulatory Reform

Six meetings per year.

Allow Associate Board Members

Associate Board Member act in ex-officio capacity – allows for recruitment of new board members, and building of a “farm team” of future credit union volunteers.

Terminating / Suspending Membership

CEO can suspend or terminate membership for bad acts – w/ Board appeal



Exam Improvements

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Privilege

Keeps exam reports, which contain highly sensitive, candid information about individual credit union financial strengths and challenges, confidential. If they can't be kept confidential, DIFS may stop issuing written reports.

Best Practices

Regulatory Reform

Keeps "best practices" out of exam finding and prevents punitive action if not required by law or safety & soundness (business judgment)

Transparency

Director to define examination scope and how appeals will be resolved within 1 year.



CU Regulatory Fund

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Credit Union Regulatory Fund

- Restricted funds, but subject to annual appropriation
- Carries forward – no reversion to General Fund
- For credit union regulatory purposes
- Housed in the Department of Treasury



- Charitable Donation Accounts – tracks Federal law
- Loan Promotion Raffles
- Later impermissible investments – orderly divestment
- ***New aggregate lending authority for DIFS*** (related party borrowers – imported from banking code - negotiated two important allowances –
 - (1) reasonable time to divest excess amounts (at least 180 days) and
 - (2) if well capitalized, allow DIFS to allow CU to set up a loan reserve for excess amounts rather than divesting



Questions?

